Income for your Retirement

Information about Your SDRS Retirement Benefits

Class B Judicial



July 1, 2015

South Dakota Retirement System

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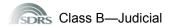
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SDRS Mission Statement

To plan, implement, and administer income replacement programs, and to encourage additional savings for retirement, all of which offer SDRS members and their families the resources and the opportunity to achieve financial security at retirement, death, or disability by providing an outstanding, appropriate, and equitable level of benefits.

The Board of Trustees believes this mission is achievable with the resources available in a progressive working environment, by sound and efficient management, through superior investment performance, and by exercising the fiduciary responsibility associated with the proper stewardship of member assets.

Introduction

The rugged beauty of South Dakota is a constant reminder of the spirit and strength of the individuals who originally settled our state. The hardships and sacrifices they endured to tame this vast territory forged a bright future for all South Dakotans. We continue to reap the benefits of their foresight and planning.

Today, with the same determination to succeed as the original settlers of South Dakota, you can achieve a financially secure retirement. The more you understand your SDRS retirement benefits, the more prepared you will be for retirement. Whether you plan to retire soon – or are just starting out with SDRS – planning for your financial future is essential right now.

To help you devise a successful long-term retirement plan, the South Dakota Retirement System provides retirement, disability, and survivor benefits to more than 78,000 people working in or retired from public service.

SDRS is a key source of dependable lifetime retirement income to you. When it is combined with Social Security benefits and your personal savings, you should have the financial protection to help you enjoy your retirement years.

The information that follows will give you a good idea of what retirement benefits you can expect to receive from SDRS, how these benefits are calculated, and other information about your participation in the system.

We have tried to prepare this booklet using "non-technical" terms, thus avoiding the more formal language of the South Dakota law. If, in our efforts to make this easy to understand, we have omitted or misstated any of the provisions, the law must remain the final authority.

The South Dakota Retirement System is designed to exist indefinitely, but plan provisions may change from time to time. The system described in this booklet is effective July 1, 2015.

Authorized Agent

So that each member receives personal service, your employer appoints one of its employees as the authorized agent to assist you locally. The authorized agent is available to explain your benefits, answer your questions, and help you apply for benefits. If you have questions about SDRS, your authorized agent is your first source of information and help.

SDRS Identification Number

To help protect each member's identity, SDRS assigns each member of the system with an exclusive identification number. Once obtained, each member has the option on using their SDRS ID number in place of their Social Security number for communication purposes with SDRS. A member can obtain their individual SDRS ID number by registering on the secure "*My SDRS*" website at www.sdrs.sd.gov or by contacting SDRS directly.

SDRS Highlights

Planning for your retirement is important. Part of that planning includes having financial resources to make your retirement years comfortable and secure. The South Dakota Retirement System can help assure a predictable lifetime income for your retirement years. The program is flexible enough to meet many of your individual needs and provide the added security you need to make your retirement financially secure. With SDRS, you choose from a number of options to put together a retirement package that is right for you.

First, you decide when you want to retire:

Normal retirement: begins at age 65 with an unreduced benefit if you have at least three years of contributory service;

Delayed retirement: or working past your normal retirement age, is another option you might prefer;

Early retirement: can also begin as soon as you reach age 55 and have at least three years of contributory service; or

Special early retirement: provides an unreduced benefit as early as age 55 with specific combinations of age and credited service.

Second, you choose how you want to receive your benefit:

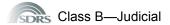
- You can receive regular monthly payments for your lifetime.
- Under the level income payment option: If you retire between ages 55 and 62, you can receive larger monthly payments from SDRS until you reach age 62, when you are eligible to begin drawing Social Security benefits. After age 62, your SDRS lifetime payments will be reduced.
- The SDRS portable retirement option (refund) gives you an option of taking 100 percent of your employee contributions, plus credited interest, and a percentage of your employer contributions, and credited interest, instead of a monthly SDRS lifetime retirement benefit. If you are a vested member (more than three years of credited service), you may receive 85 percent of your employer contributions and credited interest. If you are a non-vested member (less than three years of credited service), you may receive 50 percent of your employer contributions and credited interest. See the definition of Accumulated Contribution on page 7 for further clarification.

Third, you do not have to worry about losing your benefit if you become disabled, leave SDRS employment before retirement, or die:

The system has the following provisions to protect your benefits:

- If you become disabled while working for an SDRS employer, you may be eligible to receive disability benefits.
- SDRS provides a family benefit and a spouse benefit if you die while still employed.
- If you terminate your employment before becoming eligible for retirement, but have completed at least three years of contributory service, you will still be eligible for an SDRS monthly lifetime retirement benefit when you reach retirement age.
- You have a choice of receiving your accumulated contributions under the SDRS portable retirement option (refund) in lieu of SDRS monthly lifetime retirement benefits.
- The plan will pay a monthly lifetime survivor benefit to your surviving spouse after you retire.
- When you retire with monthly lifetime retirement benefits, you (or your eligible beneficiaries in the event of your death) will receive no less than your accumulated contributions and interest.

You will find more information on these subjects in the various sections of this booklet. If you need additional information, please contact SDRS.

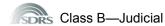


SDRS Benefit Objectives

The South Dakota Retirement System is based on the belief that after you retire you should have enough lifetime income from all sources to maintain approximately the same standard of living you enjoyed during your later years of work, and that your benefit should be protected against inflation. In addition, SDRS is designed to provide an equitable distribution of benefits for both short-service and long-service members.

Based on this benefit philosophy, the goals of the system are to provide:

- For a career employee (with 30 or more years of credited service), SDRS benefits can be expected to replace approximately 50 percent of final average compensation. For overall retirement planning, your total income replacement percentage, including SDRS, Primary Social Security, and additional personal retirement savings, should be at least 85 percent of your final compensation.
- Retirement benefits directly related to length of credited service
- Partial inflation protection after retirement by means of an annual cost-of-living adjustment (COLA)
- The same partial inflation protection on earned benefits for vested members who leave before retirement age
- Various opportunities for early retirement after age 55 with an unreduced benefit for career employees, and a minimal reduction for shorter-service members
- Member income protection in the event of long-term disability
- Survivor income protection in the event of the member's death before or after retirement
- Interest credited on member and employer contributions
- A portable retirement option (refund) that allows a vested member to elect accumulated contributions instead of SDRS monthly lifetime retirement benefits
- Total lifetime payments that will equal or exceed a member's total accumulated contributions and interest.



Participation

You participate in the South Dakota Retirement System on the day of your first contribution if you are a permanent, full-time employee of a participating employer. Permanent, full-time employees are those working at least 20 hours per week and six months per year.

Eligibility

Class B Judicial employees include members who are justices, judges, and magistrate judges. Class A and Class B Public Safety members have different benefits, which are described in separate booklets.

The following are excluded from membership in SDRS: All personnel in the Department of Labor who were employed before July 1, 1980, and who elected to remain participants in the former plan, and the governing body of any participating county, municipality, or other political subdivision.

Definitions

Accumulated Contributions are the total of your employee contributions, plus credited interest, and 85 percent of your employer contributions, and credited interest, or 50 percent of your employer contributions, and credited interest, if you have not completed at least three years of contributory service. The term "accumulated contributions" does not include any contributions you have paid for optional coverage for your spouse (see page 19) or the additional employer contributions paid on a member's salary in excess of the maximum taxable amount for Social Security. The interest paid on contributions will be determined by the Board of Trustees and may not exceed the 91-day U.S. Treasury Bill rate for the prior quarter. For all periods prior to July 1, 2004, the maximum interest rate was 10 percent and the minimum rate was 5 percent. Effective July 1, 2004, the maximum interest rate cannot exceed the assumed actuarial valuation interest rate (currently 7.25 percent) and there is no minimum rate. The interest credit will continue to be no greater than 90 percent of the 91-day U.S. Treasury Bill rate for the prior calendar year.

Compensation (or salary) includes your gross wages as reported on your federal income tax form W-2, plus member contributions made after July 1, 1984, and any amount contributed to the SDRS Supplemental Retirement Plan, other tax-deferred retirement plans, your tax-deferred purchase of credited service, or a Section 125 plan.

The Internal Revenue Service limits the amount of compensation that SDRS can consider for very highly paid employees hired after June 30, 1996. If you are affected by this limitation, SDRS will notify you.

Contributory Service is the period of time you work for an SDRS-participating employer and make contributions to SDRS.

Cost of Living Adjustment (COLA) is an annual increase in the amount of monthly benefits effective on July 1 of each year, compounded annually, for all eligible member benefit payments. The COLA is indexed to the CPI (consumer price index) and the SDRS market value funded status of the prior fiscal year, but cannot exceed 3.1 percent or be less than 2.1 percent in any year. To be eligible for a COLA, the member cannot have been in covered employment during the previous fiscal year and the member must have received full benefit payments during the entire previous fiscal year period.

Credited Service is the period of time which is considered in the calculation of your retirement benefit. See pages 9-11 for more information on earning credited service, buying additional credited service, and reinstating credited service if you leave employment and return.

Eligible Child includes:

- Your unmarried dependent child under 19 years old
- Your unmarried dependent child of any age who is totally and permanently disabled (provided the disability occurred before age 19)
- · A stepchild or foster child who is dependent on you for support and living in your household
- Any child conceived during your lifetime but born after your death.

Final Average Compensation is used in calculating all SDRS benefits, including retirement benefits, disability benefits, and survivor benefits. Your final average compensation is determined by taking your average annual salary during the highest 12 consecutive calendar quarters in the last 40 quarters of membership in SDRS. (This is subject to adjustments for extraordinary payments in the final year or quarter.)

Primary Social Security is the Social Security payment for you only, not including payment for your spouse of dependents.

SDRS Employer is the state of South Dakota and any department, bureau, board, or commission of the state, or any of its governmental or political subdivisions, or any public corporation of the state of South Dakota that elects to become a participating unit.

Termination Pay (Special Pay) is compensation other than regular salary or wages accumulated by an employee and converted to a lump-sum payment by an employer at termination of employment.

Valuation Interest Rate is the investment return assumption used by the actuary to value liabilities of the system. Currently, this rate is 7.25 percent per year.

Vested means a member has the right to a retirement annuity, payable as early as age 55, from the system after three years of contributory service, provided the member has not withdrawn their accumulated contributions.

Contributions

Amount of Contributions

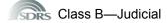
You and your employer share the cost of your retirement benefits by contributing a percentage of your salary to the system. Each year, the total contribution will equal 18 percent of your salary – 9 percent contributed by you and 9 percent by your employer.

Your contributions are deducted from your paycheck each pay period.

Tax Advantages

Special tax advantages apply to the contributions you make to SDRS because they are made on a before-tax basis. This means that your contribution is deducted from your pay before federal withholding taxes are calculated. Under this tax-deferred plan, your take-home pay is higher than if you made your contributions on an after-tax basis. Social Security taxes are calculated on your unreduced pay.

The following example assumes you are married, have one child, file a joint tax return, and utilize the federal standard deduction. The basic example on page 9 is used only to illustrate the difference between after-tax and before-tax contributions.



	Sample After-Tax Contributions	SDRS Before-Tax Contributions			
Annual Salary	\$85,000	\$85,000			
Before-Tax Contributions (9%)	0	7,650			
Taxable Salary	85,000	77,350			
Federal Income Taxes	9,975	8,063			
After-Tax Contributions (9%)	7,650	0			
Remaining Income	\$67,375	\$69,287			
Tax Savings	\$0	\$1,912			

By making your contributions on a before-tax basis, you save \$1,912 per year in taxes. This increases your remaining income. Your employer contributions are also not taxable income to you when made. When you receive benefit payments from SDRS, you will pay taxes on the money not previously taxed, but at a more favorable rate assuming you are in a lower tax bracket after retirement.

Earnings on Your Contributions

All contributions are deposited in the SDRS trust fund and invested for the exclusive benefit of members and beneficiaries. A separate record is kept of both your contributions and your employer contributions, which are credited with interest at a rate determined by the Board of Trustees each year. For administrative efficiencies, interest is credited to your accumulated contributions once per year on June 30.

Your Accumulated Contributions are Minimum Benefits

You, or your beneficiaries, are always assured of receiving the full amount of your accumulated contributions if you terminate your employment or die before being eligible for a monthly lifetime retirement benefit. In addition, the minimum amount you or your beneficiaries will receive after your retirement equals your accumulated contributions and interest.

Credited Service

Earning Credited Service

Credited service is the period of time you work for an SDRS-participating employer, which is considered in your eligibility for benefits and the amount of benefits. Credited service represents complete or partial years of employment (you receive one-fourth of a year of credited service for each calendar quarter in which you make contributions to SDRS), as well as years of employment credited to you by retirement systems before consolidation into SDRS (before July 1, 1974).

Credited service includes time spent on authorized military leave of absence for your initial tour of duty, provided that you:

- · Are employed before the leave,
- Return to public service within one year of discharge, and
- Remain employed for at least one year after returning.



Buying Additional Credited Service

Eligible members may buy additional credited service in order to enhance their SDRS benefit at retirement. For your eligibility requirements, please contact SDRS.

Your cost to purchase credited service depends on your age at the time of purchase. The cost is an actuarially determined percentage of your current salary or final average compensation, whichever is higher. For additional information regarding purchase costs, please contact SDRS.

If your employer has agreed to permit tax-deferred purchases of credited service, your payment for purchased service will reduce your salary and will not be considered taxable income to you currently (like the example shown on page 9 for SDRS before-tax contributions). Your purchase must be fixed, irrevocable, and over a period not to exceed 10 years, with interest at the valuation interest rate. If you die or terminate employment before completing the purchase, your credited service will be adjusted based on the amount you paid.

If your employer has not agreed to permit tax-deferred purchases, your purchase of credited service will not be tax-deferred. You can finance your purchase over a period not to exceed 10 years, with interest at the valuation interest rate. If you die before completing the purchase, your spouse may complete the remaining payments within 90 days, or your credited service will be adjusted based on the amount you paid.

You may also purchase credited service by making a trustee-to-trustee transfer of funds from your individual retirement plan under Section 403(b) or 457 of the Internal Revenue Code to SDRS.

Reinstating Past Credited Service

If you terminate your employment and withdraw your accumulated contributions, you will forfeit your right to any benefit under SDRS. If you are later rehired by an SDRS-participating employer on a permanent, full-time basis, you may reinstate your past credited service if you repay any accumulated contributions you received when you left, plus interest at the valuation interest rate.

The redeposit must be made no later than two years after your rehire and it must be made in a lumpsum payment. You can make the redeposit from your personal funds or by transfer from your individual retirement plan as described above.

If you received a refund of your accumulated contributions when you terminated and do not redeposit your accumulated contributions when you are rehired, you will be treated as a new employee in establishing eligibility for benefits and in determining the amount of your benefits.

When You Can Retire

Normal Retirement

Normal retirement age is 65 if you have at least three years of contributory service under the South Dakota Retirement System. Your normal retirement date is the first day of the month of your 65th birthday.

You have several opportunities to retire before your normal retirement date, depending upon your age and years of credited service. These early retirement options are described below and on the next page.

Regular Early Retirement

If you have completed at least three years of contributory service, you may retire as early as age 55 and receive monthly lifetime benefits from SDRS. You may begin receiving retirement payments right away, or you can wait and begin receiving payments at a later date.

If you decide to begin receiving your lifetime benefit payments before age 65, your monthly payments will be reduced because it is expected that they will be stretched out over a longer period of time. This is referred to as a reduced benefit. (Special early retirement, described below, is an exception to this reduction rule).

The amount of the reduction depends upon your age and years of credited service. See pages 15 and 16 for more information about how regular early retirement will affect the amount of your lifetime benefit payments.

Special Early Retirement

You can retire as early as age 55 and receive unreduced monthly lifetime benefits immediately if you meet certain credited service requirements. Usually, if you retire and begin receiving lifetime payments before age 65, the amount is reduced because payments are expected to be made over a longer period of time.

However, under special early retirement, you can retire before age 65 and begin receiving lifetime benefit payments immediately with no reduction in the monthly amount.

The table below shows the combinations of age and credited service that will produce a full benefit if you retire early and begin receiving monthly lifetime payments immediately.

Requirements for Special Early Retirement

Age	55	56	57	58	59	60	61	62	63	64
Years of Credited Service	25	24	23	22	21	20	19	18	17	16

For example, under special early retirement, you can receive an unreduced monthly lifetime benefit immediately if you retire at age 55 with 25 years of credited service, or at age 61 with 19 years, and so forth.

Delayed Retirement

You may elect to continue working beyond age 65, thus delaying your retirement. Monthly lifetime retirement benefit payments will begin once you actually retire and apply for SDRS retirement benefits.

When Payments Begin

Benefits paid upon retirement will begin on the first day of the month following the latest of:

- The date on which you made your last contribution to SDRS,
- 30 days after your written application for retirement benefits is received in the office of the SDRS administrator, or
- The date specified in your application for retirement

If you do not apply for benefits in a timely manner, you may receive up to a maximum of three months of benefits retroactive to the date your contributory service ended.

The SDRS portable retirement option (refund) gives you a choice of taking your accumulated contributions instead of monthly SDRS lifetime benefits. However, the lifetime value of your SDRS monthly benefits may be worth considerably more than your accumulated contributions. See the portable retirement option (refund) explanation on page 21.

Reemployment of Retirees (Effective April 1, 2010)

All Retirements: Effective April 1, 2010, all retired members must complete three (3) full calendar months of termination from employment before returning to covered SDRS employment. If a member returns to covered employment prior to satisfying the termination period, the member's retirement status will be revoked and all retirement benefits paid to the member will need to be repaid to the system, with interest.

Early Retirements (Reduced Benefit) - After meeting the termination period - Reemployed as a Class B Judicial Member or a Class A Member: If you are reemployed as a Class A member or return to employment as a Class B Judicial member before normal retirement age with a participating employer on a permanent, full-time basis after having retired with a reduced benefit, your monthly benefit payments will stop while you are reemployed and you will not be eligible for a COLA until you have terminated employment and met the full fiscal year requirement. During reemployment, you will not earn any additional credited service and your required employee contributions will accrue in the SDRS-SRP. No employee or employer contributions will be credited to your SDRS accumulated contributions during your period of reemployment.

Special Early or Normal Retirements (Unreduced Benefit) - After meeting the termination period - Reemployed as a Class B Judicial Member: If you are reemployed by a participating employer as a Class B Judicial member on a permanent, full-time basis after having retired with an <u>unreduced</u> Class B Judicial retirement benefit or a Class A retirement benefit, your monthly benefit payments will be reduced by fifteen (15) percent while you are reemployed and you will not be eligible for a COLA until you have terminated employment and met the full fiscal year requirement. During reemployment, you will not earn any additional credited service and your required employee contributions will accrue in the SDRS-SRP. No employee or employer contributions will be credited to your SDRS accumulated contributions during your period of reemployment.

Special Early or Normal Retirements (Unreduced Benefit) - After meeting the termination period - Reemployed as a Class A Member: If you are reemployed by a participating employer as a Class A member on a permanent, full-time basis after having retired with an <u>unreduced</u> Class B Judicial retirement benefit, the fifteen (15) percent benefit reduction and the COLA elimination will not be applied to your Class B retirement benefit during your reemployment. However, during your Class A reemployment, you will not earn any additional credited service and your required employee contributions will accrue in the SDRS-SRP. No employee or employer contributions will be credited to your SDRS accumulated contributions during your period of reemployment.

Normal or Delayed Retirement Benefits

Retirement Benefit Calculation

The South Dakota Retirement System provides defined benefits. That means your monthly lifetime benefit at retirement is based on formulas as defined in the governing statutes.

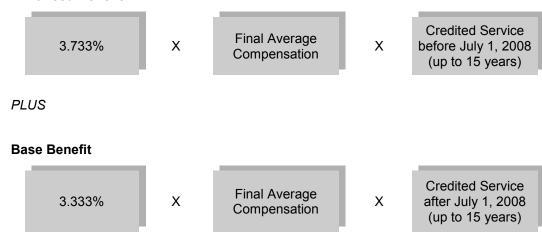
Two formulas determine your benefits at normal retirement (age 65) and at delayed retirement (after age 65). You will receive the larger benefit based on these formulas. The formulas use your years of credited service and your final average compensation, based on the later years of your career (when your salary should normally be highest). See pages 7 and 8 for definitions of these terms.

The following formula and example are used only for credited service as a Class B Judicial member. Other formulas apply for Class A members and Class B Public Safety members.

Your benefit will be calculated as follows:

For your first 15 years of credited service:

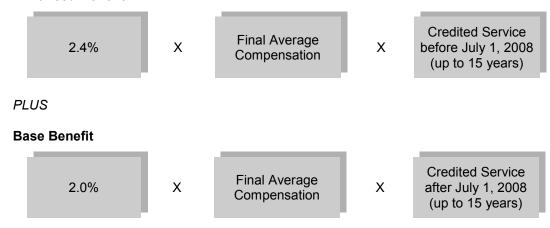
Enhanced Benefit



PLUS

For credited service in excess of 15 years:

Enhanced Benefit



Example

This example assumes a member retires from SDRS employment on July 1, 2012, at the age of 65 with 25 years of credited service and a final average compensation of \$85,000 (or \$7,083 a month). The benefit would be as follows:

For the first 15 years of credited service:

Enhanced Benefit

PLUS

Base Benefit



For credited service in excess of 15 years:

Enhanced Benefit

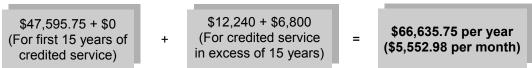


PLUS

Base Benefit



Total SDRS Benefit



Cost-of-Living Adjustment (COLA)

Your monthly lifetime retirement benefits are protected against inflation. Commencing each July 1 after you have terminated employment and have received full benefit payments during the previous twelve-month fiscal year period, you will become eligible for a cost-of-living adjustment. The COLA is established by the SDRS Board of Trustees based on the consumer price index and on the SDRS market value funded status of the prior fiscal year. The COLA cannot exceed 3.1 percent or be less than 2.1 percent in any year.

Annual Personal Benefits Statement

Each year prior to retirement, you receive a Personal Benefits Statement showing the value of the SDRS lifetime retirement benefits you have earned based on your current final average compensation and credited service. The statement also gives you an estimate of your monthly lifetime retirement benefits if you work until you reach normal retirement age, age 62, or the special early retirement age (Rule of 80). These estimates are offered at the present value (today's dollars) of your final average compensation and projected values assuming an annual increase of 2.1 percent. All estimates assume your continued covered working status until the listed ages of retirement.

Early Retirement Benefits

You may choose to retire before the normal retirement age of 65 if you are at least age 55 and have at least three years of contributory service.

Under **Special Early Retirement**, with certain combinations of age and credited service, you can retire as early as age 55 and begin receiving an unreduced monthly lifetime retirement benefit immediately (see "Requirements for Special Early Retirement" chart on page 11).

Under **Regular Early Retirement**, you can retire as early as age 55 and receive a monthly lifetime retirement benefit, as long as you have at least three years of contributory service. Payments are reduced if you start receiving benefits before age 65 (see "Early Retirement – Percent of Benefit Payable" chart on page 16).

The amount of reduction under Regular Early Retirement depends upon your years of credited service and your age when payments begin. If your credited service is 15 years or less and you retire early, your benefits will be reduced by 3 percent for each year that payments are made before age 65. If you have more than 15 years of credited service and choose to retire early, you will receive an even larger percentage of your benefit if you decide to receive payments immediately (see "Early Retirement – Percent of Benefit Payable" chart on page 16).

The "Early Retirement – Percent of Benefit Payable" chart on page 16 shows the percentage of your earned benefit you will receive if you retire before age 65 and payments begin immediately, depending upon your age and years of credited service.

Early Retirement—Percent of Benefit Payable

Years of	Retirement Age										
Credited Service	55	56	57	58	59	60	61	62	63	64	65
15 or less	70	73	76	79	82	85	88	91	94	97	100
16	73	76	79	82	85	88	91	94	97	100	100
17	76	79	82	85	88	91	94	97	100	100	100
18	79	82	85	88	91	94	97	100	100	100	100
19	82	85	88	91	94	97	100	100	100	100	100
20	85	88	91	94	97	100	100	100	100	100	100
21	88	91	94	97	100	100	100	100	100	100	100
22	91	94	97	100	100	100	100	100	100	100	100
23	94	97	100	100	100	100	100	100	100	100	100
24	97	100	100	100	100	100	100	100	100	100	100
25 or more	100	100	100	100	100	100	100	100	100	100	100

Example 1

Retire on July 1, 2012, at age 62 with 15 years of credited service and final average compensation of \$85,000:

If a member decides to retire at age 62 with 15 years of credited service, three years before normal retirement age, the monthly lifetime retirement benefit is calculated to be \$3,852.98 payable at age 65. If the payments start immediately, the monthly benefit at age 62 will be \$3,506.21, or 91 percent of the amount payable at age 65. This is calculated by multiplying 3 percent times 3 years, for a total of a 9 percent reduction from the unreduced benefit payable at age 65.

Example 2

Retire on July 1, 2012, at age 62 with 17 years of credited service and final average compensation of \$85,000:

If a member decides to retire at age 62 with 17 years of credited service, the monthly lifetime retirement benefit at age 65 is calculated to be \$4,192.98. If payments start immediately, the monthly benefit beginning at age 62 will be \$4,067.19. In this case, the member will receive 97 percent of the benefit payable at age 65.

Note that in this example if the member had 18 years of credited service and retired at age 62, the member would qualify for special early retirement and could receive an unreduced benefit (100 percent) immediately.

Cost-of-Living Adjustments are made to early retirement benefits, just like normal retirement benefits, as described on page 15.



Form of Benefit Payments

When you retire, you will receive your benefit in monthly payments for your lifetime. If you die after payments begin, your eligible surviving spouse will receive 60 percent of the benefit you were receiving when you died (see page 20). If you take early retirement, you have the option of choosing the level income payment option described below. The portable retirement option (refund) gives you another payment choice as explained below.

Level Income Payment Option

The level income payment option is a payment option you may elect if you retire early (between ages 55 and 62) and decide to receive retirement benefit payments immediately. The level income payment option increases the amount of the monthly payment through the month of your 62nd birthday, at which time you are eligible to receive Social Security benefits. The month following your 62nd birthday the payment from SDRS will decrease, but your replacement income from both SDRS payments and Social Security benefits will remain essentially the same as what you had been receiving from SDRS alone under the level income payment option.

The value of your future lifetime benefits under the level income payment option is expected to equal the value of your normal lifetime payments. This option just provides a higher SDRS payment until age 62 when you are eligible to receive Social Security benefits.

Some additional points to consider:

- If you retire and plan to return to work in SDRS covered employment, the level income payment option may not be a good choice. If you retire with <u>reduced or unreduced</u> benefits, the benefit suspensions and/or benefit reductions during the reemployment period may distort the higher preage 62 payments. See page 12 regarding reemployment of retirees.
- In addition, the level income payment option significantly reduces the survivor benefit payable after age 62.

Like all monthly benefits payable from SDRS, benefits under the level income payment option are protected against inflation under the provisions of the SDRS cost-of-living adjustment. See page 15 for explanation of the COLA.

Portable Retirement Option (Refund)

The SDRS portable retirement option (refund) gives you a choice of taking your accumulated contributions instead of monthly SDRS lifetime retirement benefits. However, the lifetime value of your SDRS monthly benefits may be worth considerably more than your accumulated contributions. See the portable retirement option (refund) explanation on page 21.

If You Become Disabled

Eligibility

If you cannot work because of a disability and it is expected to last one year or longer, you may apply for a monthly benefit from SDRS.

You are eligible for disability benefits after three years of consecutive contributory service. However, if you are accidentally disabled while performing the usual duties of your job, you are immediately eligible to apply for benefits. You must be a contributing member at the time you become disabled.

A disability is a medically determinable physical or mental impairment which prevents you from performing the usual duties of your job. Your employer must also certify that it is unable to provide you with comparable level employment. You will not qualify for benefits under this plan if your disability is the result of a willful or self-inflicted injury.

Amount of Benefit (For Disability Applications Received On and After July 1, 2015)

If you are approved for a disability retirement benefit, your benefit will be the greater of:

- 25 percent of your final average compensation (see page 8) at the time of disability; or
- Your unreduced accrued retirement benefit at the time of disability

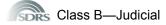
Provided you remain disabled, the disability retirement benefit will be payable for your lifetime. SDRS disability retirement benefits receive an annual cost-of-living adjustment (COLA) as described on page 15. If you recover from your disability, your benefit will terminate 30 days after your health care provider certifies that you are no longer disabled.

If you do not apply for disability benefits within three years of termination of your employment, you will forfeit your disability benefit.

While you are receiving SDRS disability benefits you are required to report any changes in your employment status to SDRS.

When You Reach Age 65

When you reach age 65, your disability retirement benefit will be considered your retirement benefit.



Protection for Your Survivors

Certain benefits under this plan provide protection for your spouse and dependents in the event of your death.

If You Die While Still Employed

Family Benefit: If you have three or more years of contributory service and die while actively participating in SDRS (or die while performing the usual duties of your job, regardless of your years of contributory service), a family benefit is payable on behalf of your eligible dependent children under the age of 19. The family benefit equals the greater of:

- 25 percent of your final average compensation (see page 8) at the time of your death; or
- Your unreduced accrued retirement benefit at the time of your death

The family benefit will be equally apportioned among your eligible dependent children. Payments will be made on behalf of each child to the child's conservator or custodian. As each child reaches age 19, the family benefit will be reallocated to any remaining dependent children. The family benefit payments continue until all eligible dependent children reach the age of 19.

Surviving Spouse Benefit: A surviving spouse benefit is effective and payable when your surviving spouse reaches age 65. The surviving spouse benefit will be calculated as follows, whichever is applicable:

- If a family benefit was paid, 60 percent of the family benefit being paid at the time the family benefit ended, increased by the annual cost-of-living adjustment; or
- If a family benefit was not paid, 60 percent of the following, whichever is greater:
 - 25 percent of your final average compensation (see page 8) at the time of your death, increased by the annual cost-of-living adjustment; or
 - * Your unreduced accrued retirement benefit at the time of your death, increased by the annual cost-of-living adjustment

The surviving spouse benefit is paid in monthly installments for your surviving spouse's lifetime with annual cost-of-living adjustments (COLA) as described on page 15.

Early Surviving Spouse Benefit: Your eligible surviving spouse has the option to elect to start the surviving spouse benefit prior to age 65 and as early as age 55, payable at a reduced rate. The amount of reduction equals 5 percent for each full year (and prorated for partial year) between the date the benefit begins and when your surviving spouse would attain age 65.

Optional Spouse Coverage: Effective July 1, 2010, this coverage is closed to new enrollments. For members who are currently covered by this optional protection, coverage is effective at the time of your death as an active employee and provides a salary continuation benefit to your spouse for the span of years not covered by the basic SDRS plan. The benefit equals 40 percent of your final average compensation at the time of your death as an active employee. The benefit continues from the time all your children reach the age of 19 until your surviving spouse reaches age 65. Cost-of-living adjustments are made to optional spouse benefits as described on page 15.

The cost of the optional spouse coverage is 1.5 percent of your salary. The cost continues until your spouse is no longer eligible for the benefit, you or your spouse die, the termination of your marriage, you decide to terminate the coverage, or you terminate covered employment. The additional contributions paid for this optional protection are not included in your accumulated contributions and are nonrefundable.

If You Die After Retirement

Surviving Spouse Benefit After Retirement: SDRS also pays survivor benefits to your eligible surviving spouse after you have retired. This benefit is equal to 60 percent of the benefit being paid to you at the time of your death and will continue for your spouse's lifetime with cost-of-living adjustments.

If both you and your spouse die before your accumulated contributions have been paid out, your named beneficiary or estate will receive any remaining balance.

NOTE: To qualify for surviving spouse benefits, your spouse must have been married to you prior to your retirement date and for at least 12 months before your death.

If You Leave Before Retirement

If You Leave Before Three Years of Contributory Service

You are entitled to receive your accumulated contributions (100 percent of your employee contributions plus credited interest and 50 percent of your employer contributions and credited interest) under the portable retirement option (refund) in the form of a lump-sum distribution if you leave before attaining three years of contributory service. A lump-sum distribution is subject to federal income taxation in the year distributed. The IRS does allow certain lump-sum distributions to be rolled over into another eligible retirement plan, which may postpone the federal income taxation requirements to a later date. SDRS advises that you consult with your investment/tax advisor prior to obtaining a lump-sum distribution.

You may also leave your accumulated contributions in the system for up to 10 years from your date of termination. Interest earnings will continue to be credited for 10 years. If you have not returned to SDRS covered employment after 10 years, your accumulated contributions must be withdrawn during the 11th year. If you do not withdraw your accumulated contributions during the 11th year and SDRS is not able to locate you, you will forfeit your accumulated contributions.

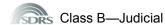
If You Leave After Three Years of Contributory Service

If you terminate employment with an SDRS employer after three years of contributory service but before you are eligible for early retirement, you have a choice: you can receive a vested monthly lifetime retirement benefit as early as age 55 or you can withdraw your accumulated contributions under the portable retirement option (refund).

If you choose the refund option, you will receive a lump-sum distribution of your accumulated contributions (100 percent of your employee contributions plus credited interest and 85 percent of your employer contributions and credited interest). A lump-sum distribution is subject to federal income taxation in the year distributed. The IRS does allow certain lump-sum distributions to be rolled over into another eligible retirement plan, which may postpone the federal income taxation requirements to a later date. SDRS advises that you consult with your investment/tax advisor prior to obtaining a lump-sum distribution.

The right to withdraw accumulated contributions ceases within ninety days of a return to employment with a participating unit.

For members who terminated employment prior to July 1, 2010, your portable retirement option (refund) may be different than what is stated above. Please contact SDRS for more information.



Vested Lifetime Retirement Benefit

If you have at least three years of contributory service, you are a "vested" member. As a terminated member who has a vested right in the system, you may leave your accumulated contributions on deposit with the system and receive an unreduced retirement benefit at age 65 or a reduced amount as early as age 55, based on your final average compensation and credited service when you leave employment. In calculating the retirement benefit using the formulas shown on page 13, your final average compensation shall be increased by the improvement factor commencing each July 1 for each complete twelve-month period between your last termination and the date you begin drawing retirement benefits.

If you elect to receive your monthly lifetime retirement benefits before age 65, they will be reduced as explained on pages 15 and 16.

Portable Retirement Option (Refund)

The SDRS portable retirement option (refund) gives a vested member the choice of taking their accumulated contributions (100 percent of the employee contributions plus credited interest and a percentage of the employer contributions and credited interest) instead of a monthly SDRS vested lifetime retirement benefit. You must have at least three years of contributory service to be a vested member. Before electing the portable retirement option (refund), you should carefully compare the lifetime value of your SDRS benefits to the value of your accumulated contributions. SDRS can provide you with information to make this comparison. If you choose the refund option, you will receive a lump-sum distribution of your accumulated contributions as described on page 20. A lump-sum distribution is subject to federal income taxation in the year distributed; however, the IRS does allow certain lump-sum distributions to be rolled over into another eligible retirement plan, which may postpone the federal income taxation requirements to a later date. SDRS advises that you consult with your investment/tax advisor prior to obtaining a lump-sum distribution.

For members who terminated covered employment prior to July 1, 2010, your portable retirement option (refund) may be different than what is stated above. Please contact SDRS for more information.

Reemployment of Former Members

If you withdraw your accumulated contributions when you terminate and are later rehired by a participating SDRS employer on a permanent, full-time basis, you can reinstate your past credited service by redepositing your accumulated contributions, with interest at the valuation interest rate, from the date of withdrawal to the date of redeposit. This redeposit must be made within two years after your reemployment.

SDRS Supplemental Retirement Plan

The South Dakota Retirement System established the Supplemental Retirement Plan (SRP) in 1987 in an effort to encourage and provide investment vehicles necessary for long-term, tax-advantaged retirement savings for its members. This plan is an eligible plan under IRS Code Section 457 and is also referred to as a deferred compensation plan. This plan is exclusively sponsored and managed by SDRS, though SDRS has contracted with Nationwide Retirement Solutions to carry out certain functions necessary for the operations of the plan.

Plan Features

- The contributions and any earnings will have the opportunity to grow tax-deferred until they are distributed from the plan.
- The plan provides a variety of investment options and benefit payment choices.
- SDRS-SRP Retirement Specialists are available to offer personal retirement planning analysis that will help you:
 - · Establish savings goals
 - Determine risk tolerance
 - Select appropriate investment options
 - Make investing for retirement part of a comprehensive financial plan
- Twenty-four hour account access is available through the SDRS-SRP website at www.SRP457.com.

SDRS-SRP Investment Options

With the goal of providing an assortment of competitively priced investment options to its members, SDRS and the South Dakota Investment Officer have selected the following investment funds to be accessible through the SDRS-SRP for its participants.

Target Retirement Funds

The plan offers twelve Vanguard Target Retirement Funds. These asset allocation funds are designed for participants in various age groups who want a simple and convenient solution to their retirement savings needs. In choosing a target retirement fund, a member should consider the fund that is closest to the year they reach their expected retirement age, while also factoring in their risk tolerance, investment objective, and retirement needs. Choosing a fund that targets an earlier date represents a more conservative choice while targeting a fund with a later date is a more aggressive choice.

Large-Cap Equity Funds

The plan offers the choice of six large cap equity funds. Large-cap equity funds invest in companies that have more than ten billion dollars in capitalization and include blue-chip and Fortune 500 companies.

Mid-Cap Equity Funds

The plan offers the choice of three mid cap equity funds. Mid-cap equity funds invest in companies that have roughly between two and ten billion dollars in capitalization and often include companies that are well established and growing.

International Funds

The plan offers the choice of three international funds. International equity funds invest in stocks of companies outside the United States.



Bond Funds

The plan offers the choice of one Bond fund. Bonds are generally a more conservative form of investment than stocks, and usually provide a more steady flow of income.

Interest/Fixed/Cash Accounts

The plan offers the choice of two fixed asset funds. These are interest bearing accounts.

The performance and risks of all the funds available for participation in this plan will directly correspond to the performance and risks of the underlying holdings in which they invest.

Additional information and fund prospectuses on each of the investment options can be obtained online at www.SRP457.com or by calling an SDRS-SRP Retirement Specialist toll-free at 1-800-959-4457 or locally at 605-224-2230.

Contributions

The minimum amount needed to participate in the SDRS-SRP is \$25.00 per month. The maximum amount an employee can contribute is 100 percent of their includible compensation or the applicable dollar amount for the year found in Internal Revenue Code Section 457(e) (15), whichever is less. The maximum applicable dollar amount for the year applies to contributions made to all 457 accounts combined, including pre-tax and Roth 457 accounts.

Each pay period, the employee's elected SDRS-SRP contribution amount will be automatically withheld from their paycheck and deposited into their SDRS-SRP account. The employee can increase or decrease the SDRS-SRP contribution amount at any time (unless the employer has restrictions on changes). An employee can also stop SDRS-SRP contributions at any time.

Rollovers from another eligible plan into SDRS-SRP are permissible; however, qualified retirement plans, deferred compensation plans, and individual retirement accounts are all different. Assets rolled over from accounts may be subject to surrender charges, other fees, and/or a 10 percent tax penalty if withdrawn before age 59 ½.

Plan Costs

An annual asset fee of 0.21 percent (\$0.21 per \$100) is assessed at the rate of 0.0175 percent each month. This fee is in addition to the internal expense charges/management fees assessed by the respective companies providing investment alternatives under the SDRS-SRP.

Distributions

If you are still actively employed, you can withdraw money from the SDRS-SRP only:

- If you experience an unforeseeable emergency that is approved (in accordance with IRS rules).
- If it is a one-time withdrawal, provided your account balance is \$5,000 or less and you have not deferred into the plan for at least two years, and you have not made prior withdrawals of this type.
- Once you have reached age 70 ½.

If you leave employment or retire, your options for withdrawal from the SDRS-SRP include:

- Withdrawal SDRS-SRP savings as a lump-sum or partial lump-sum.
- Receive a fixed-dollar amount monthly until funds are depleted.



- Receive a portion of the fund paid over a fixed period of time.
- Draw a monthly lifetime annuity.
- Purchase a Supplemental Pension Benefit (SPB) through the South Dakota Retirement System.
- Roll over funds to another eligible plan.
- Leave money invested in the SDRS-SRP until April 1 of the year after you turn 70 ½ or you leave employment, whichever is later; at this point the IRS requires that you take the required minimum distribution.

Federal Taxes

Contributions to the plan and any earnings will have the opportunity to grow tax-deferred until they are distributed from the plan. Funds withdrawn from the SDRS-SRP (457(b) plan) are subject to federal income tax.

Additional Information

Retirement Specialists are registered representatives of Nationwide Investment Services Corporation, a member of FINRA. Information provided by an SDRS-SRP Retirement Specialist is for educational purposes only and is not intended as investment advice. Neither Nationwide nor its representatives give legal or tax advice. Please consult with a tax or legal advisor for such advice.

To request additional information regarding the savings options and participation in the SDRS-SRP:

Call: (800) 959-4457

(605) 224-2230

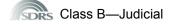
Write: SDRS—SRP Office

222 East Capitol Avenue, Suite 8

Pierre, SD 57501

Fax: (605) 224-2395

Website: www.SRP457.com



SDRS Roth 457 Option

The South Dakota Retirement System established a designated Roth contribution program within the deferred compensation plan – the Supplemental Retirement Plan (SRP) – in an effort to provide members with a variety of opportunities to save additional funds for retirement. The SDRS Roth 457 Option offers an alternative to traditional pre-tax investing, such as that offered by the SDRS-SRP, with the opportunity for tax-free income during retirement. Active employees employed with the State of South Dakota, the South Dakota Board of Regents, and other public employers who elect to offer the SDRS Roth 457 Option will be able to make Roth contributions to their SDRS-SRP Roth account. Please check with your employer to inquire about the availability of the Roth 457 Option.

Roth 457 Features

- Roth contributions are deducted from your pay on an after-tax basis, unlike pre-tax deferral
 contributions that reduce your gross taxable income.
- Any earnings will have the opportunity to grow tax-deferred.
- Distributions, if qualified (see "Distributions" below), are not subject to federal income taxes.
- The Roth 457 Option has the same investment options as offered by the SDRS-SRP. (See investment options on pages 22 and 23).
- SDRS-SRP Retirement Specialists are available to offer personal retirement planning analysis that will help you:
 - Establish savings goals
 - Determine risk tolerance
 - Select appropriate investment options
 - Make investing for retirement part of a comprehensive financial plan
 - Twenty-four hour account access is available through the SDRS-SRP website at www.SRP457.com.

Contributions

The minimum amount needed to participate in the Roth 457 Option is \$25.00 per month. The maximum amount an employee can contribute is 100 percent of includible compensation or the applicable dollar amount for the year found in Internal Revenue Code Section 457(e) (15), whichever is less. The maximum applicable dollar amount for the year applies to contributions made to all 457 accounts combined, including pre-tax and Roth 457 accounts.

Each pay period, the employee's elected Roth contribution amount will be automatically withheld from the employee's paycheck and deposited into the employee's SDRS-SRP Roth account. The employee can increase or decrease the Roth contribution amount at any time (unless the employer has restrictions on changes). An employee can also stop Roth contributions at any time.

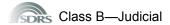
Rollovers from another eligible plan into SDRS-SRP are permissible; please contact the SDRS-SRP office for more information.

Plan Costs

An annual asset fee of 0.21 percent (\$0.21 per \$100) is assessed at the rate of 0.0175 percent each month. This fee is in addition to the internal expense charges/management fees assessed by the respective companies providing investment alternatives under the SDRS-SRP.

Distributions

A distribution of Roth contributions and any earnings is not subject to federal income taxes as long as the distribution is a qualified distribution. To be considered a Roth qualified distribution, and therefore



tax-free, there are two conditions that must be satisfied:

- A 5-year holding period; and
- Distribution on or after attaining age 59 ½, assuming separation from service, disability or death.

The 5-year holding period begins on the first day of the taxable year in which you made an initial Roth contribution to your SRP-Roth account and ends when five consecutive taxable years have passed.

If a distribution is taken before the end of the 5-year holding period or prior to attaining age 59 ½, the distribution is a non-qualified distribution. Any earnings would be taxed as ordinary income; however, the Roth contribution portion of the distribution would be tax-free because taxes were already paid.

If you are still actively employed, you can receive a distribution from the Roth 457 only:

- If you experience an unforeseeable emergency that is approved (in accordance with IRS rules).*
- If it is a one-time withdrawal, provided your account balance is \$5,000 or less and you have not deferred into the plan for at least two years, and you have not made prior withdrawals of this type.*
- Once you have reached age 70 ½.*

If you leave employment or retire, your distribution options from the Roth 457 include:

- Withdrawal as a lump-sum or partial lump-sum.*
- Receive a fixed-dollar amount monthly until funds are depleted.*
- Receive a portion of the fund paid over a fixed period of time.*
- Draw a monthly lifetime annuity.*
- Roll over funds to another Roth account.*
 - * Qualifying conditions must be satisfied for distribution(s) to be tax-free. If not qualified, only the portion of the distribution that is attributed to earnings would be taxable.

Federal Taxes

Roth contributions are made on an after-tax basis, meaning taxes are withheld prior to the contributions being made. Any earnings will have the opportunity to grow tax-deferred. If qualifying conditions are satisfied, a distribution of Roth contributions and earnings will not be subject to federal income tax. If qualifying conditions are not met, the portion of the distribution that is attributable to the Roth contributions is not subject to federal income tax; however, the portion attributable to earnings would be taxable on a pro-rata basis.

Additional Information

Retirement Specialists are registered representatives of Nationwide Investment Services Corporation, a member of FINRA. Information provided by an SDRS-SRP Retirement Specialist is for educational purposes only and is not intended as investment advice. Neither Nationwide nor its representatives give legal or tax advice. Please consult with a tax or legal advisor for such advice.

To request additional information regarding the SDRS Roth 457 Option, contact the SDRS-SRP office:

Call: (800) 959-4457

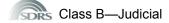
(605) 224-2230

Write: SDRS—SRP Office

222 East Capitol Avenue, Suite 8

Pierre, SD 57501

Fax: (605) 224-2395 **Website:** www.SRP457.com



Special Pay Plan

The SDRS Special Pay Plan (SPP) is an additional retirement plan funded by an eligible employee's termination pay (see page 8). Special pay may include unused annual leave, unused sick leave, or other lump-sum termination pay that is eligible for contribution into the SPP. An eligible employer's non-elective contributions of special pay to the SPP are forever excluded from the employee's gross income for purposes of Social Security (FICA) withholding and SDRS contribution payment. Also, an employer's special pay contributions to the SPP are not included in an employee's gross income, so the contribution and any income or earnings would not be subject to federal income tax until distributed from the Plan.

Eligibility

The following employees are eligible for the SPP:

- Employees of the State of South Dakota, the Board of Regents, or employees of other employer units who have elected to participate
- Employees who have reached the first day of the calendar month prior to their 55th birthday and are receiving special pay of \$600 or more.

Plan Costs

The ongoing costs of providing this benefit are paid by those who participate in the Plan. There is no cost to you for the first 12 months you have the account open—this cost is paid by your employer. Beginning in the second year, you will be responsible for a cost of 0.21 percent of account assets annually.

These fees are in addition to the internal expense charges/management fees assessed by the companies providing investment alternatives under the SPP.

Maximum Deferral Amount

Contributions to the SPP are subject to Internal Revenue Code Section 415 limits and cannot exceed the lesser of 100 percent of the employee's special pay or the applicable dollar amount established by the Internal Revenue Code each year. If your special pay is more than the established maximum deferral amount, you may be able to defer a portion of the amount into the SDRS-SRP. Please contact the SDRS-SRP office to determine if you are eligible for that option.

Plan Features

- Special pay contributed to the Plan as a non-elective employer contribution is forever excluded from an employee's gross income for Social Security (FICA) withholding purposes and SDRS contribution payment.
- The contributions and any earnings will have the opportunity to grow tax-deferred until they are distributed from the Plan.
- The SPP has the same investment options as offered by the SDRS-SRP. (See investment options on pages 22 and 23.)
- Contributions do not reduce the SDRS-SRP (457) contribution limits.
- Plan participants are immediately vested.
- Retirement Specialists are available by phone to assist you with account changes.
- Participants receive quarterly statements, newsletters, and investment performance reports.
- Twenty-four hour SPP account access is available through the SDRS-SRP website at SRP457.com.

Payout Options

Plan participants are vested in the SPP as soon as the employer transmits the funds to the SPP, and are eligible for an immediate distribution from the Plan upon written request at age 55. All distributions from the SPP are subject to federal income tax withholding unless they are rolled into another eligible retirement plan or IRA. Distributions will be taxed as ordinary income. The available distribution options are:

- SDRS—Supplemental Pension Benefit (SPB)
- · Lump-sum withdrawal
- · Partial lump-sum withdrawals
- Fixed-dollar amount
- Fixed-period payment
- Annuity payout options*
 - * Annuities are issued only by Prudential Life Insurance Company, 751 Broad St., Newark, NJ 07102
- · Rollover to another eligible retirement plan or IRA

Additional Information

Retirement Specialists are registered representatives of Nationwide Investment Services Corporation, a member of FINRA. Information provided by an SDRS-SRP Retirement Specialist is for educational purposes only and is not intended as investment advice. Neither Nationwide nor any of its representatives give legal or tax advice. Federal tax laws are complex and subject to change. Consult your tax or legal advisor for answers to your specific questions.

To request additional information regarding the SPP:

Call: (800) 959-4457

(605) 224-2230

Write: SDRS—SRP Office

222 East Capitol Avenue, Suite 8

Pierre, SD 57501

Fax: (605) 224-2395

Website: www.SRP457.com

Section VI—Supplemental Pension Benefit

Supplemental Pension Benefit

The South Dakota Retirement System created the Supplemental Pension Benefit (SPB) as a companion benefit to the SDRS Supplemental Retirement Plan (SRP), also referred to as the 457 plan, and the SDRS Special Pay Plan (SPP). The SPB became effective July 1, 2008. The Supplemental Pension Benefit is a financial process that can be used to provide additional financial security during retirement through lifetime monthly benefit payments, with cost-of-living adjustments. Survivor benefits are available depending on your marital status at the time the SPB is established.

Any SDRS member is eligible to participate in the SPB program if they:

- have terminated employment, and
- are currently receiving an SDRS monthly retirement benefit, and
- have at least \$10,000 in their Supplemental Retirement Plan or Special Pay Plan, or in a combination of both.

A member who has retired and has returned to SDRS covered employment will not be allowed to purchase a SPB while employed because IRS law will not allow the transfer of §457 funds unless the member is in termination status.

The Supplemental Pension Benefit program has been designed to provide members with an opportunity to enhance their primary SDRS retirement benefit by allowing them to convert funds from their SDRS-SRP and/or SPP savings plans to establish an additional lifetime benefit. As only one SPB conversion per retiree, per lifetime is allowed by law, it is important to note that the SPB is an optional benefit and can be elected at any time during the member's retirement. There is no requirement that a member must exercise the SPB option at any specific time, if at all, but it is irrevocable once exercised.

SDRS has established a calculator to help determine the cost versus the benefit of participating in the Supplemental Pension Benefit program. The calculator is a planning tool that a member can use to estimate the amount of an SPB monthly benefit based on the amount of money transferred from their SDRS-SRP and/or SPP account. This calculator is available through the SDRS website at www.sdrs.sd.gov. Members are cautioned to make sure they have additional savings before committing any or all of their SDRS-SRP/SPP funds to this program.

To request additional information on the SPB program:

Call: (888) 605-SDRS

(605) 773-3731

Write: South Dakota Retirement System

P.O. Box 1098

Pierre, SD 57501-1098

Fax: (605) 773-3949

Website: www.sdrs.sd.gov

SDRS Administration

Control and Administration

The Board of Trustees of the South Dakota Retirement System consists of:

- Two elected state employee members
- Two elected teacher members
- · An elected participating municipal employee member
- · An elected participating county employee member
- An elected participating classified employee member
- An elected participating Class B Public Safety member
- An elected justice, judge, or magistrate judge
- One head of a principal department or one head of a bureau under the office of executive management appointed by the Governor
- An individual appointed by the Governor
- · An elected county commissioner of a participating county
- · An elected school district board member
- An elected municipal official of a participating municipality
- · An elected retiree, and
- An elected faculty or administrative member employed by the board of regents and not subject to the provisions of chapter 3-6A.

A representative of the state investment council serves as an ex-officio nonvoting member.

Responsibilities of the Board of Trustees

The Board of Trustees is the governing authority of the system and is responsible for:

- Formulating and communicating a sound pension policy
- Establishing goals and objectives for SDRS
- Ensuring the financial integrity of the system
- Proposing legislative changes believed necessary or beneficial
- Adopting rules necessary to implement the governing statutes
- Adjudicating disputes arising under the system
- Adopting an administrative budget and submitting it to the executive and legislative branches of state government for approval
- Appointing an administrator as the chief executive and operations officer of the system and establishing the compensation for that position.

Obtaining Your SDRS Benefits

Applications for SDRS benefit payments should be made to the SDRS administrator on forms provided by the system.

When you decide to retire, you should notify SDRS at least 3-6 months in advance of the date you

want payments to begin. You application for retirement benefits must be received in the SDRS office 30 days prior to your retirement.

If you terminate your employment with a participating unit of SDRS before you are eligible for early retirement, you should discuss your status as a vested member and the value of your SDRS lifetime retirement benefits. Before you elect to receive your accumulated contributions under the portable retirement option (refund), you should carefully evaluate the information SDRS will provide you. See page 21.

Appeal Procedure

A person aggrieved by a benefit determination made by SDRS may request a review of the determination and a decision by the administrator in accordance with South Dakota Codified Law 3-12-57.1.

Effect on Employment

The plan in no way guarantees you continued employment with an employer participating in SDRS. If you terminate your employment or if you are discharged, SDRS does not give you any right to any benefit or interest in the funds contributed by your employer or earned by the retirement trust fund, except as specifically provided in the South Dakota law and the provisions of the portable retirement option (refund).

Similarly, terminated or retired members are not prohibited from receiving or continuing to receive retirement benefits, if eligible under SDRS, because they obtain employment with a nonparticipating employer.

Assignment of Benefits

The system is intended to pay benefits only to you or your beneficiaries. Your benefits cannot be used as collateral for loans or be assigned in any other way, except as required under a qualified domestic relations order.

Social Security Benefits

Social Security benefits add to your SDRS benefits to provide dependable income for your retirement years. Throughout your working career, you and your employer contribute amounts set by federal law to provide Social Security benefits when you retire.

At retirement, these benefits will include monthly payments beginning as early as age 62, or sooner if you become disabled or die. Hospital and medical benefits begin for you and your dependents when you reach age 65, or earlier in case of disability. Your dependents may also qualify for survivor benefits.

The calculation of your monthly Social Security benefit is complicated and requires detailed information about your age, date of retirement, disability or death, and your year-by-year earnings history. The Social Security Administration makes this calculation for you when you retire.

Detailed information about monthly payments and Medicare coverage is available on the Social Security website at www.ssa.gov or from your local Social Security office. You may contact the Social Security Administration toll-free at 1-800-772-1213. The location of your nearest local office can be found in the telephone directory under "U.S. Government, Social Security Administration."

For more information on the South Dakota Retirement System:

(888) 605-SDRS (605) 773-3731 Call:

Write: South Dakota Retirement System

P.O. Box 1098

Pierre, SD 57501-1098

Fax: (605) 773-3949

Website: www.sdrs.sd.gov



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